



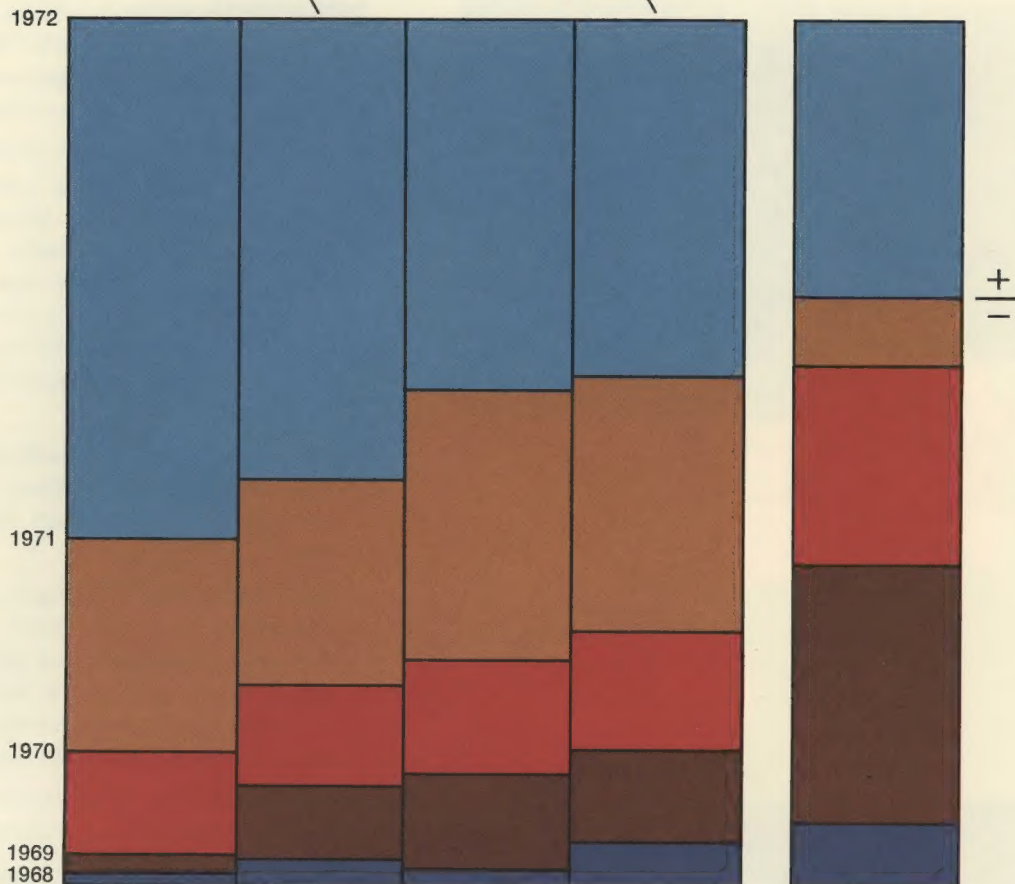
intel[®]
delivers.

In 1972 Intel began the conversion of wafer fabrication facilities to the production of 3-inch silicon wafers—the diameter of the circle on the cover of this report. The new wafers contain more than twice the number of memory circuits of 2-inch wafers now in production.

**INTEL CORPORATION
FIVE YEAR
FINANCIAL SUMMARY**

EMPLOYEES	
1972	1,002
1971	460
1970	211
1969	160
1968	42

TOTAL ASSETS	
1972	\$21,944,175
1971	14,839,755*
1970	7,004,679
1969	5,168,769
1968	2,636,916



REVENUES	
1972	\$23,416,659
1971	9,431,921*
1970	4,241,253
1969	565,874
1968	2,672

NET WORTH	
1972	\$17,395,852
1971	13,456,344*
1970	5,338,176
1969	4,691,103
1968	53,906

INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	
1972	\$1,979,600
1971	(513,401)*
1970	(1,450,626)
1969	(1,912,833)
1968	(446,094)

* Restated, See Note 2

FINANCIAL HIGHLIGHTS

	1972	1971*	1970
Revenues	\$23,416,659	\$9,431,921	\$4,241,253
Earnings (Loss)			
Before Extraordinary			
Income	1,979,600	(513,401)	(1,450,626)
Extraordinary Income	1,104,000	1,427,504	480,711
Net Income	3,083,600	914,103	(969,915)
Shares Outstanding			
December 31	2,704,688	2,600,112	2,209,278
Earnings (Loss)			
Per Share before			
Extraordinary Income	.71	(.21)	(.69)
Working Capital	11,952,724	9,718,287	2,801,049

*1971 Figures Restated, See Note 2.

The year 1972 represented a period of rapid growth for Intel and for the markets we serve, and marked the start of our second round of major plant expansions.

Our net income increased by \$2.2 million and our sales by \$14 million over 1971. We were able to more than double our business in 1972 without additional financing, and have no debt of any kind.

We expanded our output of components and systems last year without significant additions to our production facilities, but our growth in 1973 will require the completion of new plants in Penang, Malaysia, and Livermore and Santa Clara, California. Capital expenditures in 1973 are expected to be \$10 million as compared with \$2.1 million in 1972. We expect to finance our 1973 expansions without additional equity financing.

Intel entered the electronic timekeeping market in July with the acquisition of Microma, Inc. and absorbed its 1972 start-up losses of \$1.5 million before taxes.

We continue to seek growth markets where we can capitalize on major shifts in technology, where traditional techniques are becoming vulnerable to new approaches and large established companies have no technological advantage. This will afford us the opportunity to maintain our high rate of growth.

Intel component and systems innovations represent thrusts at these major markets:

The semiconductor memory market, our first target, which we helped to create, is growing at an accelerating rate. The memory systems group expands our penetration into this market. We realized greatly increased sales of semiconductor memory components and systems because of the resurgence of the computer industry and the further penetration of our products into areas formerly dominated by magnetic memories.

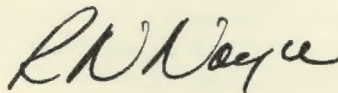
Improved LSI techniques and the advent of new computer architecture have permitted the realization of microcomputers. Our MCS-4 and MCS-8 microcomputers are opening new markets for Intel products, bringing the power of general purpose computers to systems too small or inexpensive for the applications of minicomputers.



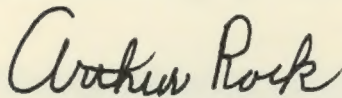
Intel's new Penang, Malaysia, facility arose out of a coconut grove in 1972. The first assembled parts were shipped from this plant in December. It is one of three Intel plants due for completion in 1973.

In these early stages of the technological shift from mechanical to electronic timekeeping, Microma is capitalizing on the developments in very low power electronics (CMOS) and liquid crystal displays that have made electronic watches practical.

Because of Intel's early commitments to volume production in order to achieve early cost reductions, we expect to maintain competitive cost structures for our new products.



Dr. Robert N. Noyce
President



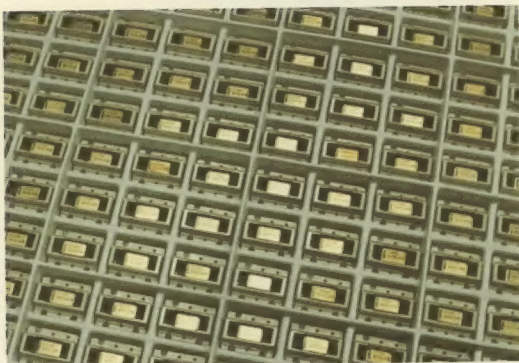
Arthur Rock
Chairman of the Board

Dr. Gordon E. Moore
Executive Vice President

We began 1972 in a strong cash position which we maintained through the year, despite the demands of our much greater output of components and systems. Orders increased at a pace that taxed our manufacturing ability. Occasionally this affected our ability to deliver on time and caused us to speed our plans for additional plants.

Predicting costs is the key to our new product planning. We operate in very fast-changing areas such as the





Intel's 1103 Random Access Memory was the largest selling semiconductor memory circuit in the world in 1972. Customers for this circuit paid less than 1/100th of the price per memory bit than the cost of the equivalent bit in 1968, the year of Intel's founding.

components market where, for example, the cost of a bit of semiconductor memory has dropped a hundredfold since Intel was founded in 1968. The proper choice of new products depends upon being able to anticipate such changes.

We elevated our memory systems work to divisional status commensurate with its increased contribution. The role of the Memory Systems Division is threefold. First, it allows Intel to participate in large areas of the memory market from which we are excluded at the component level. These areas include system applications that have already been committed to core memories and add-on memories for existing computer systems as well as the original equipment manufacturers who are not willing to design their own semiconductor memories. Secondly, it facilitates the acceleration of the conversion to semiconductor from other memory techniques by reducing the development time and expense that otherwise would be required by the customer. Thirdly, it enables us to direct intelligently our development of new memory components.

Through the acquisition of Microma, Inc., Intel has entered a new business with large potential. It is an excellent example of electronic technology replacing and improving significantly the accuracy of a function pre-

INTEL CORPORATION CONSOLIDATED BALANCE SHEET December 31, 1972 and 1971

	1972	1971
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,312,505	\$ 7,261,847
Accounts receivable, less allowance for doubtful accounts of \$146,680 in 1972 and \$47,988 in 1971	6,714,527	2,686,135
Inventories:		
Materials	1,232,962	398,822
Work-in-process and finished goods	1,554,080	525,291
	<u>2,787,042</u>	<u>924,113</u>
Prepaid expenses, including prepaid income tax of \$476,953 in 1972	557,646	229,603
Total current assets	<u>16,371,720</u>	<u>11,101,698</u>
Investment (Note 1)	196,428	114,865
Property, plant and equipment, at cost:		
Land and land improvements	1,094,743	890,206
Building and building improvements	3,247,146	2,615,766
Leasehold improvements	374,638	102,201
Machinery and equipment	1,189,566	193,811
	<u>5,906,093</u>	<u>3,801,984</u>
Less accumulated depreciation and amortization	530,066	178,792
Net property, plant and equipment	<u>5,376,027</u>	<u>3,623,192</u>
	<u>\$21,944,175</u>	<u>\$14,839,755</u>

See accompanying notes.

viously accomplished mechanically. The engineering and manufacturing requirements for solid state watches are closely related to our strengths in semiconductor fabrication. The liquid crystal display technology that Microma utilizes to build its watch is a relatively new and rapidly developing display technology, dependent on materials processing, that is broadly useful in a variety of display applications.

Our ability to grow is limited primarily by our ability to locate and attract capable people. Intel offers its employees an opportunity to participate in a rapidly growing business area and motivates them through stock purchase and stock option plans. In 1973 we will broaden and intensify our employee recruiting program, especially among recent college graduates. We are looking for people who respond to the challenge of growth and change and who are capable of the disciplines we require to maintain tight control of our operations.

In the components area in 1972 we successfully accomplished the transition from being an innovator of circuits to being an innovator *and* a low cost, high volume producer of circuits. We will continue to concentrate our efforts on those areas where our technology gives us advantages over our competitors. We expect this to be important to our success.

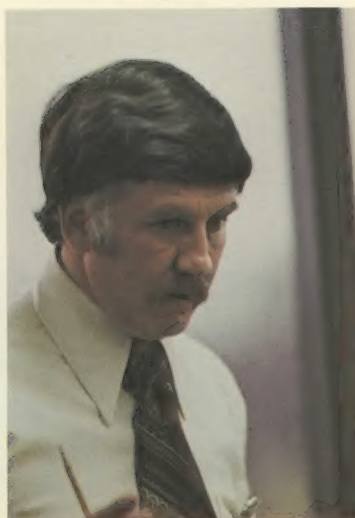


Intel's ability to grow will depend on its ability to attract capable people. The employee recruiting program will be broadened and intensified in 1973, especially among recent college graduates.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Current liabilities:		
Accounts payable	\$ 1,546,625	\$ 760,500
Deferred income on shipments to distributors (Note 1)	733,150	296,173
Accrued liabilities, primarily payroll and related expenses	895,776	296,336
Taxes payable based on income (Note 3)	1,243,445	30,402
Total current liabilities	4,418,996	1,383,411
Deferred taxes on income (Note 3)	129,327	—
Commitments (Note 5)		
Shareholders' Equity (Note 4):		
Capital stock, without par value, 3,500,000 shares authorized; shares issued and outstanding: 2,704,688 at December 31, 1972 and 2,600,112 at December 31, 1971; at stated value	16,775,703	15,871,083
Retained earnings (deficit)	620,149	(2,414,739)
Total shareholders' equity	17,395,852	13,456,344
	<hr/>	<hr/>
	\$21,944,175	\$14,839,755

See accompanying notes.



Edward L. Gelbach
Vice President and
Director of Marketing

Last year saw a number of new marketing developments at Intel as we broadened our sales base from fewer than 500 customers to more than 900, increasing our sales by a factor of 2½ and at the same time lowering our relative selling costs. The success of our overseas marketing activities resulted in our 1972 overseas sales quadrupling to a present level of 35% of our total sales.

The semiconductor memory market has grown as predicted and Intel memory circuits and systems have made deep inroads into this market. Our 1103 RAM circuit is now found in the products of 14 out of 18 main-frame computer manufacturers in the U.S., Europe and Japan, and it is now the highest dollar volume semiconductor component in the world. By 1976 we estimate that more than half of the market for computer memories will be satisfied by semiconductors.

Early in 1972 we introduced our first N-channel devices, using a new generation of MOS technology which offers greater flexibility in achieving more advantageous cost/performance trade-offs. By the end of 1972 we were

INTEL CORPORATION
CONSOLIDATED STATEMENT OF INCOME
Years ended December 31, 1972 and 1971

	1972	1971 (Note 2)
Revenues:		
Sales	\$22,970,729	\$9,185,979
Interest	292,814	173,316
Royalties and other income	153,116	72,626
	<u>23,416,659</u>	<u>9,431,921</u>
Costs and expenses:		
Cost of sales	12,425,222	6,071,475
Research and development	3,441,710	1,568,856
Marketing, general and administrative	3,486,127	2,304,991
	<u>19,353,059</u>	<u>9,945,322</u>
Income (loss) before taxes on income and extraordinary items	4,063,600	(513,401)
Taxes on income (Note 3):		
Current	2,431,626	—
Deferred	(347,626)	—
	<u>2,084,000</u>	<u>—</u>
Income (loss) before extraordinary items	1,979,600	(513,401)
Extraordinary items:		
Gain on sale of manufacturing know-how, net of	—	1,427,504
California franchise tax of \$40,905		—
Income tax benefit of net operating loss carryforward (Note 3)	1,104,000	—
Net income	<u>\$ 3,083,600</u>	<u>\$ 914,103</u>
Earnings per capital and capital equivalent share (Note 6):		
Before extraordinary items	\$0.71	\$(0.21)
Extraordinary items	0.40	0.59
Net income	<u>\$1.11</u>	<u>\$ 0.38</u>

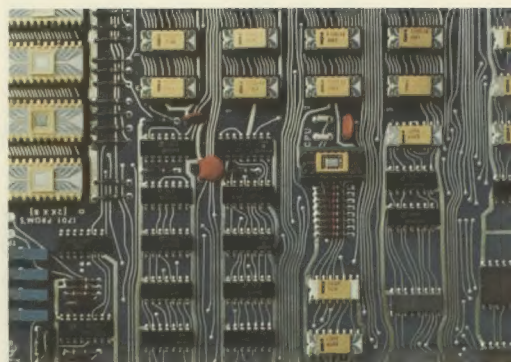
See accompanying notes.

the largest independent supplier of N-channel devices. Most of the products we will introduce in 1973 will use this technology.

The growth in our bipolar sales that occurred last year increased our dollar volume six times for these products and demonstrated our ability to respond to customer demands.

Intel's microcomputers, first introduced in 1971, are creating new markets for semiconductor devices as well as displacing custom logic functions achieved by other techniques. The microcomputer brings the flexibility of computer techniques down to small inexpensive systems by means of the customer-programmed memory. We have a strong proprietary position and clear market dominance in this product line, having pioneered the development, and then following this effort with investments in software support in simulators and assemblers. Much of our growth in customer base results from the broadening applications of the microcomputer to areas formerly dominated by mechanical or electromechanical techniques. Although this market is already growing rapidly, we believe we are only at the beginning of the accelerating acceptance of Intel microcomputers.

Looking ahead in 1973 we see continued increases in sales for all of our major product areas.



Intel microcomputers bring the power of the computer to the many thousands of logic systems formerly too small or inexpensive for computer applications. The Central Processor Unit of this MCS-8 system (blue chip in the center) performs random logic functions under the direction of the customer-programmed Read Only Memory at the top left.

INTEL CORPORATION CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY Years ended December 31, 1972 and 1971

	Capital Stock		Retained Earnings (Loss)	Total
	Number of Shares	Amount		
Balance at January 1, 1971	2,209,278	\$ 8,667,018	\$(3,328,842)	\$ 5,338,176
Sales of shares through private placement, net of related costs	15,790	219,560	—	219,560
Sales of shares through the employee stock purchase plan and upon exercise of employee stock options (Note 4)	37,337	195,207	—	195,207
Sale of shares through public offering, net of related costs	307,472	6,646,262	—	6,646,262
Pooled company capital transactions (Note 2)	30,235	143,036	—	143,036
Net income for the year as restated	—	—	914,103	914,103
Balance at December 31, 1971 (Note 2)	2,600,112	15,871,083	(2,414,739)	13,456,344
Sales of shares through employee stock participation plan and upon exercise of employee stock options (Note 4)	64,816	683,545	—	683,545
Pooled company capital transactions and loss for short period (Note 2)	39,760	188,100	(48,712)	139,388
Capital transactions of investee accounted for on equity method (Note 2)	—	32,975	—	32,975
Net income	—	—	3,083,600	3,083,600
Balance at December 31, 1972	2,704,688	\$16,775,703	\$ 620,149	\$17,395,852

See accompanying notes.



MOS wafer fabrication productivity will be doubled in Mountain View in 1973 by conversion to 3-inch wafers.

Dr. Andrew S. Grove
Vice President
and Director of Operations

In 1972 we attempted to keep up with the rapidly rising demand for our products. Through the year our production level tripled while average product complexity increased.

Our new plant in Penang, Malaysia, is an example of how we achieved this growth. In July our site was a coconut grove. By December we had 130 people working in a new 30,000 square foot facility, assembling complex LSI products.

We did particularly well in increasing our production of bipolar circuits in 1972, converting our entire Santa Clara facility to the manufacture of these components. We have been increasing our MOS capability at Mountain View by starting to convert that facility to the use of 3-inch wafers, which will double our MOS die production capacity. We expect to complete this conversion in 1973. Also in 1973, we will start operation of a new wafer fabrication facility in Livermore, California, tapping a new labor base. We expect this will help us grow more rapidly.

Using experience curves, we have analyzed our cost

INTEL CORPORATION **CONSOLIDATED STATEMENT OF** **CHANGES IN FINANCIAL POSITION** **Years ended December 31, 1972 and 1971**

	1972	1971
Working capital provided from (used in) operations:		
Income (loss) before extraordinary item	\$1,979,600	\$ (513,401)
Charges against income not involving the use of working capital:		
Depreciation	351,274	146,729
Equity in loss (income) of investee company	(12,288)	35,135
Deferred income taxes	129,327	—
Charge in lieu of taxes offset by extraordinary item	1,104,000	—
	<u>3,551,913</u>	<u>(331,537)</u>
Extraordinary items:		
Gain on sale of manufacturing know-how	—	1,427,504
Tax benefit of net operating loss carry-forward, not affecting working capital	—	—
	<u>3,551,913</u>	<u>1,095,967</u>
Other source of working capital —		
Sales of capital stock by Intel and pooled company	871,645	7,204,065
Other uses of working capital:		
Additions to property, plant and equipment	2,104,109	855,116
Purchase of investment	36,300	150,000
Payment of long-term debt	—	377,678
Pooled company's loss for short period	48,712	—
	<u>2,189,121</u>	<u>1,382,794</u>
Increase in working capital	<u>\$2,234,437</u>	<u>\$6,917,238</u>

See accompanying notes.

reduction progress with both new and established products. As we look at our results throughout 1972, we find that when we make 100 times as many devices, we typically reduce unit cost about tenfold. The advantage of innovation is that we get a headstart on this experience curve, which makes it very difficult for the competition to catch up with us. We work hard to ensure that we maintain this lead by improvements in design and continuing improvements in our wafer fabrication and assembly techniques. Such improvements result in the economies necessary to sell profitably in the high volume stages of our products' life. We shall aggressively pursue these programs in 1973.

William F. Jordan, Jr.
General Manager of
Memory Systems Division

Sales by our Memory Systems Division grew substantially in 1972. The development of this division is based on using Intel components to build complete semiconductor memory systems and subsystems for original equipment manufacturers and end-user markets thereby expanding our sales base.



	1972	1971
Changes in Components of working capital:		
Current assets increase (decrease):		
Cash and equivalents	\$ (949,342)	\$4,435,645
Accounts receivable	4,028,392	1,686,577
Inventories	1,862,929	684,331
Prepaid expenses	328,043	205,271
	<u>5,270,022</u>	<u>7,011,824</u>
Current liabilities increase (decrease):		
Accounts payable	786,125	283,161
Deferred income on shipments to distributors	436,977	34,084
Accrued liabilities	599,440	(64,223)
Taxes payable based on income	1,213,043	30,402
Current portion — long-term debt	—	(188,838)
	<u>3,035,585</u>	<u>94,586</u>
Increase in working capital	<u>\$2,234,437</u>	<u>\$6,917,238</u>

See accompanying notes.

INTEL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972 and 1971

1. Accounting policies

- (a) Deferred income on shipments to distributors
Certain of Intel's sales are made to distributors under agreements allowing right of return and price protection on merchandise unsold by the distributors. Because of the rapid technological obsolescence in the industry, Intel defers recognition of the sales until the merchandise is sold by the distributors.
- (b) Royalties

Intel expects, from time to time, to utilize products and processes of others and may be required to obtain licenses and pay royalties for such utilization. Accordingly, Intel provides currently a reserve (based upon a percentage of sales) which, in the opinion of management, is sufficient to cover Intel's potential liability under all such possible cross-license agreements.

- (c) Research and development expenditures
Research and development costs and preoperating expenses of new operations are charged to income as incurred.
- (d) Inventory
Inventories are valued at the lower of cost or market. Cost is computed on a



The MT-10 System Exercisor, a semiconductor memory tester designed for use with large Intel memory systems, was developed by the Memory Systems Division in 1972.

Through our role as an in-house customer for memory components we contribute insight regarding system requirements and problems that is reflected in improved semiconductor components and in new directions for product development.

We staffed the Memory Systems Division with key people from the computer industry and the independent magnetic memory industry. Their broad systems backgrounds, talent and experience should make us a leading supplier of memory systems.

Although most of our present sales come from replacing magnetic core memories in systems designed originally for cores, we offer much larger advantages in systems designed for semiconductor memories. The use of such systems will become increasingly prevalent in the future.

The majority of our sales have been to original equipment manufacturers, where the demand ranges from memory cards containing as little as 8,000 bits to large cabinets with several million bits of storage in each. We will start delivering add-on memories in 1973, and expect to continue to increase our sales of systems and sub-systems to original equipment manufacturers.

currently adjusted standard basis (which approximates actual average cost) for work-in-process and finished goods and on a first-in, first-out basis for materials. Market is based upon estimated realizable value reduced by normal gross margin.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated principally by use of the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

(f) Investments

In 1971 Intel acquired (for \$150,000) convertible preferred stock of a newly formed company. In 1972 Intel converted its investment to common stock and acquired additional common stock of the company for \$36,300 (for a total approximate interest of 23%). Intel also has an option to acquire a controlling interest in exchange for Intel Capital Stock on the basis of one share of Intel for fourteen shares of the company. In 1972 Intel made a retroactive change in accounting for this investment from the cost method to the equity method (Note 2) which had an immaterial effect on results of operations for 1971.

2. Basis of presentation

The consolidated financial statements

include the accounts of all of Intel's subsidiaries after elimination of intercompany transactions. The financial statements for 1971 have been restated as a result of a business combination accounted for as a pooling-of-interests and a change to the equity method of accounting for an investment (Note 1). The restatement (utilizing the pooled company's financials for its former fiscal year ended September 30, 1971) had an insignificant effect on sales and increased the loss before extraordinary item by \$100,977 or \$.04 per share and decreased net income by \$.05 per share.

The business combination was effected through the issuance in July, 1972 of 69,995 shares of Intel Capital Stock for all of the outstanding capital stock of Microma, Inc. (Microma). Sales and pre-tax loss of Microma included in the accompanying statement of income for the year ended December 31, 1972 were \$519,000 and \$1,486,000 respectively (1972 pre-acquisition amounts were not material).

3. Income taxes

Income tax expense includes accrued franchise tax of \$253,000 and has been reduced by investment credits of \$40,000 which are accounted for on the flow-through method.

Deferred federal income taxes are provided on timing differences between book and

Robert W. Robson
President, Microma, Inc.
Wholly-owned subsidiary

Intel's acquisition of Microma in July, 1972, marks Intel's entry into the large but competitive consumer and wholesale timekeeping markets.

Watch manufacturers produced almost 200 million units last year, and by 1980 we estimate they will be producing about 300 million units. If the retail price of all solid-state watches can be brought down to about \$30, we believe that the potential market is as large as 100 million units in 1980.

Prior to the acquisition, Microma was principally involved in developing a variety of timepieces and such related technology as liquid crystal displays. Since then we have concentrated our effort on wrist watches, developing a production capability that allowed us to supply the majority of all liquid crystal watches delivered during the year.

In mid-1972, department stores began retailing our men's watch with its liquid crystal display and quartz oscillator time standard, the first such watch available with



taxable income. Timing differences relate primarily to depreciation, franchise tax accrual, and deferred income on shipments to distributors.

The \$258,000 pre-acquisition income tax loss carryforward of Microma (Note 2) expires as to \$66,000 in 1975 and \$192,000 in 1976 and can be used only as a reduction of Microma's separate taxable income. Accordingly, no tax benefit has been provided for this item in the accompanying financial statements. All remaining Intel tax loss carryforward was utilized in 1972.

4. Stock Option and Employee Stock Purchase Plans

(a) Qualified and Non-Qualified Stock Option Plans*

Under these plans, officers and key employees have been granted options to purchase shares of Intel's authorized but unissued Capital Stock at the fair value at date of grant. Unless otherwise provided at the time of grant, options become exercisable at the rate of 25% per year commencing one to two years from the date of grant. Options for 675,000 shares may be granted under the plans as amended, subject to shareholder approval of an additional

*Additional information with respect to these plans is as follows:

	Options Available For Grant	Outstanding Options		
		Number	Aggregate Value	Price Per Share
Balance at December 31, 1971	77,241	216,479	\$2,663,000	\$2.86-\$15.75
Additional shares reserved for granting under the plan (non-qualified)	300,000	—	—	—
Options granted	(59,500)	59,500	1,989,000	\$15.75-\$45.00
Options exercised	—	(57,190)	(489,000)	\$2.86-\$14.00
Options cancelled	6,638	(6,638)	(90,000)	\$2.86-\$15.75
Balance at December 31, 1972	<u>324,379</u>	<u>212,151</u>	<u>\$4,073,000</u>	<u>\$2.86-\$45.00</u>
Options exercisable at December 31, 1972		<u>15,608</u>	<u>\$ 97,000</u>	<u>\$2.86-\$15.75</u>



Microma sales in 1972 are represented by a solid-state quartz timekeeping module, as at left, and a finished quartz watch with liquid crystal display, as at right. The sale of modules to other watch manufacturers is expected to be a growing part of Microma business.

a continuously reading display. Its accuracy—typically a gain or loss of only five seconds a month—demonstrates an advantage offered by electronic timekeeping.

We also are selling timekeeping modules without cases to other watch manufacturers. This aspect of our business opens much broader marketing channels than we could hope to develop by supplying only the complete watch.

We began in 1972 with fewer than a dozen employees and ended the year with more than 100. In October, we moved into a new manufacturing and office facility in Cupertino with 21,000 square feet of space.

In 1973 we'll be introducing a number of new men's and women's watches and modules, some with additional timekeeping features. We look for considerable expansion of our sales of modules to markets in Europe and the Far East.

300,000 shares reserved for issuance under the Non-Qualified plan in 1972. The Qualified Stock Options expire five years from the date of grant. The Non-Qualified Stock Options expire ten years from the date of grant.

(b) Noncompensatory Employee Stock Participation Plan

Under this plan, which was approved by the shareholders in 1972, substantially all employees are entitled to purchase stock at 85% of the fair market value of the stock at certain specified dates. 20,000 shares were reserved for issuance and 7,626 shares were purchased at approximately \$21 per share in 1972.

(c) Other options

Intel assumed certain stock options in connection with the acquisition of Microma in July 1972. These options were exchanged for options to purchase 13,074 shares of Intel Capital Stock for an aggregate amount of \$60,000. None of the options are currently exercisable.

5. Commitments

Intel leases a substantial portion of its capital equipment for periods from four to eight years. Under equipment leases entered into through December 31, 1972, Intel is obligated to pay rentals in the following approximate amounts: 1973—\$845,000; 1974—\$716,000; 1975—\$597,000; 1976—\$409,000; and in de-

creasing amounts thereafter.

Orders have been placed for additional equipment to be leased subsequent to December 31, 1972 which will require rental payments aggregating approximately \$933,000 payable over periods from four to six years commencing at time of acceptance.

Intel has under construction a manufacturing facility which will require funds of approximately \$1,100,000 to complete in 1973.

6. Earnings per share

Earnings per share is computed using the weighted average number of capital and capital equivalent shares outstanding after giving retroactive effect to the pooling-of-interests in 1972. Capital equivalent shares consist of shares issuable under employee stock plans (Note 4) computed on the treasury-stock method. Earnings per share in 1972 attributable to the extraordinary item would have been reduced by \$.01 had the December 31, 1972 market value of Intel Capital Stock been used in the application of the treasury-stock method.

Report of Certified Public Accountants

The Board of Directors and Shareholders
Intel Corporation

We have examined the accompanying consolidated balance sheet of Intel Corporation at December 31, 1972 and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Intel Corporation at December 31, 1972 and 1971 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

San Jose, California
January 19, 1973

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*Chairman; General Partner,
Arthur Rock & Associates*

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Industrialist

Gordon E. Moore
Executive Vice President

Robert N. Noyce
President and Treasurer

Max Palevsky
Industrialist

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*Associate,
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Executive Vice President

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Vice President and Controller

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*Vice President and
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Theodore W. Vian
Secretary and Corporate Counsel

General Counsel

Pillsbury, Madison & Sutro,
San Francisco, California

Transfer Agent and Registrar

Wells Fargo Bank,
San Francisco, California

Co-transfer Agent and Co-registrar

First National City Bank,
New York, New York

Certified Public Accountants

Arthur Young & Company,
San Jose, California

Intel Corporation

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Santa Clara, California 95051
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